

A Review of GAO Undercover Testing on For-Profit Colleges

GAO Bias Evident in Report to HELP Committee

Commissioned by:

The Coalition for Educational Success

Prepared by:

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Executive Summary

Norton|Norris, Inc. (Nn) is a Chicago-based marketing and consulting firm focused on the education vertical. The company has been providing mystery shopping services to non-profit and for-profit colleges and universities across the country for the past 10 years. In December 2010, the *Coalition for Educational Success* commissioned a study to review the findings of the undercover testing of for-profit colleges conducted by the Government Accountability Office (GAO) in August 2010.

The original GAO report issued in August 2010 was touted as irrefutable evidence of systemic issues in the for-profit education sector. The Health Education Labor and Pensions Committee (HELP) used the report and testimony by the GAO to aggressively pursue the for-profit college sector resulting in substantial damage to college reputations and revenue. The statement of Chairman, Senator Tom Harkin (D-IA) was that, "All 15 schools GAO investigated found instances of fraud, deceptive practices or misleading statements to prospective students." "I continue to be amazed by the questionable, and sometimes outright illegal, practices occurring within the for-profit sector. Critics say that it is only a few bad apples, but we need to take a hard look at the entire orchard."

On November 30, 2010 the GAO issued a revised report. In an email to the Washington Post GAO spokesman Chuck Young stated "Nothing changed with the overall message of the report, and nothing changed with any of our findings." According to a House Committee on Oversight & Government Reform Republicans press release, the revisions "included major changes to 16 of the 28 key investigative "scenarios" in the report. The factual changes to the report have raised new questions about conclusions reached by GAO regarding the recruiting practices of proprietary schools."

While the GAO claims that "nothing changed with any of our findings", our review reveals that only 14 findings are supported by the GAO audio recordings out of 65 originally reported (an additional 14 findings cannot be confirmed). As a result of our review, we believe that the conclusions reached are not valid. Other top-level findings demonstrate a clear bias on behalf of the GAO. This bias is evident in several aspects of the undercover

testing and subsequent report with inconsistencies in methodology, the lack of basic knowledge regarding college admissions practices and inaccurate reporting of conversations that skew facts.

The GAO failed to properly conduct, analyze and report on its undercover testing (mystery shops). Upon this realization, the GAO reissued the report in November but flagrant errors remain. Our study reveals that five recordings are missing from the public record and four additional findings cannot be confirmed without further information from GAO. More importantly our review shows only 25% of GAO findings can be supported when factoring out the missing recordings. The other 41 alleged findings were not valid and serve no meaningful purpose to be included in the GAO report.

As an example, there is a clear indication that the GAO does not understand the difference between an academic year and a calendar year. As a result, five of their findings regarding program length and cost are completely wrong and don't even merit mention in the report. This is a prime example of an agency that doesn't understand the education sector.

In addition, the GAO misrepresented conversations and explanations to meet their needs. Fragments of discussions were extracted to embellish and even fabricate their claims of deceptive and questionable behavior. Examples include:

- In one case, the GAO reports that the undercover applicant was told that getting a job "was a piece of cake" and that graduates from this school are making \$120,000 to \$130,000 per year. There is no evidence of this conversation in any of the recordings.
- During another visit (mystery shop) the question of graduation rate was NEVER raised by the undercover agent but the report indicates a different scenario and states: "The college representative did not tell the graduation rate when asked directly" This conversation simply does not exist on the recording.
- In an attempt to paint a college as "over-promising" expected earnings at graduation, the *original* GAO report stated the undercover applicant could make up to \$100 an hour. The *revised* GAO report adjusts this down to \$30 an hour and includes additional information about the salary discussion with the college representative. But the complete recording reveals that later in the discussion the admissions representative is clear that earnings are based on experience. The

undercover applicant is given a data sheet and the admissions rep states that minimum average rate per hour for massage therapists in this area is \$22. Unfortunately, the GAO never reports this last accurate piece of information.

- Comparisons of accreditation to similar institutions – on three occasions admission reps explain their regional accreditation with comparisons to other schools that have the same accreditation. The GAO cites one school for doing this – but never mentions the other two. The result has dual implications. First, the GAO isn't consistent in their reporting. Second, they cite an infraction that is not in violation of any regulation whatsoever.
- On another occasion the admission rep thoroughly explains student loans and the importance of financial responsibility. The admissions rep even suggests the undercover applicant borrow less than what they need. However the original GAO report as well as the revised version from November 30, 2010 ignores these statements. Instead they focus solely on another statement offered during the conversation regarding the undercover applicant's ability to take out the maximum in loans. In the same conversation the GAO fabricates a finding by twisting an explanation of how tuition is assessed and paid over time even though this represents only a fraction of the conversation.

These are only a few samples of the blatant misrepresentation and inaccuracies in the revised GAO report which continues to be referred to as “irrefutable evidence of systemic issues” in the for-profit education sector. In fact, the remaining 14 findings warrant further review to determine if they are valid. We encourage those colleges cited to offer further clarification and continue the dialogue.

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I. Background and Summary

On August 4, 2010, the U.S. Government Accountability Office (GAO) released a report based on their undercover tests of 15 for-profit colleges (*FOR-PROFIT COLLEGES: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices*). The claims of “fraudulent practices” and “deceptive or otherwise questionable statements” have been touted as proof of systemic issues in the for-profit education sector.

On November 30, 2010, the GAO reissued their report to “clarify and add more precise wording to the report.” Proponents of for-profit colleges claim these changes completely dilute the findings of the GAO while a spokeswoman for Sen. Tom Harkin (D-Iowa), the U.S. Health Education Labor and Pensions (HELP) Committee chairman, said the revisions “do not change the substance of the report” or its conclusions that the for-profit colleges investigated “used deceptive or fraudulent recruiting techniques to enroll new students.” (Anderson, Nick. “GAO revises its report critical of practices at for-profit schools.” *Washington Post* December 7, 2010.)

Whichever side of the issue one takes, the attention this report has received is far-reaching. References to the GAO investigation can be seen in various media reports, magazines, newspapers, opinion-editorials, blogs, news documentaries, etc. This report is also a major piece of evidence used against the for-profit colleges in the continuing HELP Committee hearings. A simple “Google search” of the terms “GAO For Profit Education” and “HELP Committee For Profit Education” numbers 45,760,000 results (December 31, 2010).

In December, 2010, *Norton/Norris, Inc. (Nn)* was commissioned by *The Coalition for Educational Success* to compare the audio recordings of the undercover testing conducted by the GAO with the revised report submitted on November 30, 2010. The report was reviewed for accuracy, DOE compliance and then compared to typical marketing and recruitment practices used in both for-profit and non-profit educational institutions.

Finally, the process used by the GAO was reviewed against best practices in college mystery shopping and professional standards of conduct including the standards prescribed by the President's Council on Integrity and Efficiency (PCIE).

About Norton|Norris, Inc. (Nn)

Nn is a marketing, training and communications firm dedicated to helping colleges and universities solve recruitment and enrollment challenges. Founded in 1998, **Nn** has successfully hired and trained hundreds of mystery shoppers and completed thousands of mystery shops in the higher education sector (including for-profit and non-profit colleges and universities) over the past 10 years.

About the Authors

Mr. Vince Norton

Mr. Vince Norton has worked in the higher education sector as a marketing and admissions professional since the late 1970's. His 30-plus years of experience includes 19 years in admissions, marketing and administration at non-profit colleges and three years with for-profit colleges. For the last 10 years he has served as Managing Partner of **Norton|Norris, Inc.**

Mr. Norton is regarded as an expert on college mystery shopping and has delivered presentations on this topic for the Michigan Association for College Admission Counseling (MACAC), the California Association of Private Postsecondary Schools (CAPPS), the American Marketing Association - Symposium for the Marketing of Higher Education, and the Association of Private Sector Colleges and Universities (APSCU).

Mr. Norton's work with mystery shopping has been published in Career College Central, Career Education Review and on MSN.com. In the late 80's and early 90's, Norton also served as an evaluator for the Accrediting Council for Independent Colleges and Schools

(ACICS). In this role he reviewed self studies and visited colleges who were in the process of renewing their accreditation.

Dr. Jean Norris

Dr. Jean Norris has worked in the higher education sector as a marketing and admissions executive as well as a dean and faculty member since 1988. Her 23 years of experience includes 12 years in the non-profit sector, four years in for-profit, and seven years consulting in all sectors of higher education. Beginning her own career as an admissions counselor, Jean is a well-known advocate of ethical admissions practices and dedicated her dissertation research to the study of ethics in this field (*The Moral Judgment of Admissions Counselors at For-Profit and Not-for-Profit Baccalaureate Degree Granting Colleges and Universities.2004.*)

Beyond working in various higher education sectors, Jean also has experienced for-profit and non-profit education as a student. Jean began her own educational pursuit by earning a medical assisting diploma and went on to earn a BA in Management from a private, non-profit university, an MA in Communications and Training from a state university, and an Ed.D. from a private non-profit institution that was later purchased by a for-profit.

Ms. Barbara Sosin

Ms. Barbara Sosin currently serves as the Director of Troop Pathway for the Girl Scouts of Southeastern Michigan and is the past president of the Michigan Association for College Admission Counseling (MACAC). As a former director of admissions at a non-profit university for 12 years, Barb brings extensive experience from this sector. She also has conducted over 70 mystery shops of educational institutions for ***Norton/Norris, Inc.*** Barb served as a reviewer on this project in comparing best practices in admissions.

A. Limitations

The audio recordings reviewed for this study were taken directly from Senator Tom Harkin's website (<http://harkin.senate.gov/forprofitsound.cfm>). Although the GAO reported on findings from 15 colleges (30 total visits), the recordings from two colleges are missing and we were unable to review for accuracy. Earlier testimony by Gregory Kutz, Managing Director, Office of Forensic Audits and Special Investigations, GAO, indicated there were "probably 90 to 100 hours of video from our undercover visits" yet we were only able to find 25 recordings or 31.6 hours of audio ranging in length from 29 minutes to 193 minutes each. A total of five audio recordings are missing and unavailable for review. Certain recordings also do not follow a chronological timeframe (Schools 7, 8 and 15), and one recording appears to contain more than two shops (School 7). In addition, it appears the recording devices were turned on and off by the GAO undercover applicants during the interviews therefore leaving sections of the interaction (and information) missing. Overall sound quality is poor and the undercover applicants interrupt and talk over each other making it difficult at times to decipher the discussion.

Within the scope of this study, we were able to confirm the accuracy of what the GAO reported in 14 of 65 instances, however we do not claim to validate the findings as truth. In some instances, more study is required to determine if the 14 findings were accurate in engaging in fraudulent, deceptive or questionable marketing practices.

B. Purpose of Study

The purpose of this study was to determine if the GAO undercover testing (mystery shopping) of for-profit colleges and subsequent report findings were accurate and unbiased.

II. Study Design

A. Definitions

Prior to actually reviewing recordings or the report, the first step was to establish a common definition of the categories used by the GAO to create a mutual understanding of findings.

For the purposes of this study we used the definitions below:

Fraudulent – related to illegal behavior or the enticement of others to commit fraud.

Deceptive Behavior – knowingly offering misleading information or omitting critical information necessary to make an informed decision.

Questionable Behavior – behavior that warrants further clarification to determine intent and accuracy.

Best Practices – acceptable behaviors and processes exemplifying ethical and moral standards usually resulting in high standards of quality.

In addition, the words “mystery shopper,” “shopper” or “undercover applicant” are used interchangeably throughout the report as reference to the role the GAO undercover agents played in their study.

B. Discovery

Beginning on Monday, December 20, 2010, our mystery shop administrative team listened to the 25 recordings available on Senator Tom Harkin’s website <http://harkin.senate.gov/forprofitsound.cfm>.

The team spent a total of 164 hours reviewing the audio recordings against the findings reported in the updated GAO report titled, *FOR-PROFIT COLLEGES: Undercover Testing Finds Colleges Encouraged Fraud and Engaged in Deceptive and Questionable Marketing Practices* (Revised November 30, 2010).

For ease of comparison, this report is designed to follow the GAO's revised report by referencing college/school number (1 – 15), scenarios (1 and 2), and findings. All data were inserted into a grid to view side by side comparisons of each school, findings cited by the GAO in the revised November report, and our assessment of the findings (Appendix I). Further clarification is offered in narrative format on select findings.

The findings were also compared to match the categories provided by the GAO including "Fraudulent Practices" and "Deceptive or Questionable Statements." The latter category has been further divided, as indicated by the GAO, into the following subcategories:

1. Accreditation Information
2. Graduation Rates, Employment and Expected Salaries
3. Program Duration and Cost
4. Financial Aid
5. Other Sales and Marketing Tactics
6. Accurate and Helpful Information Provided

Other topics brought up in the GAO report were addressed based on the overall findings of this study, but aren't the main focus of this report. Overall findings were compared to best practices in college mystery shopping, common admissions and recruitment practices and standards of admissions conduct.

In addition, admissions practices cited in this study were further compared to the "Statement of Principles of Good Practice" offered by the National Association for College Admission Counseling (NACAC)

(<http://www.nacacnet.org/AboutNACAC/Policies/Pages/default.aspx>.) Although for-profit colleges are not allowed membership in this group, the August 2010 testimony before the HELP Committee by David Hawkins, Director of Public Policy and Research for NACAC sets a precedent for comparison

(<http://help.senate.gov/hearings/hearing/?id=19454102-5056-9502-5d44-e2aa8233ba5a>).

Conclusions and recommendations for further study are offered at the end of this report.

III. Findings

A. Fraudulent Practices

The GAO stated, “Four of the 15 colleges we visited encouraged our undercover applicants to falsify their FAFSA in order to qualify for financial aid.”

Audio Recordings Support One GAO Finding and Downgrade One Finding.

Upon further review of the actual conversations, the findings of the GAO are accurate as reported for one of the four colleges. We are unable to confirm two other findings given the recordings are not publicly available for review and the third college (College 7; Scenario 2) does not involve fraudulent behavior but rather questionable statements.

In this scenario, the representative did not commit fraud and was clear that the undercover applicant must make their own decision regarding changes to the financial aid form. However when the undercover applicant appeared to not understand the implications of changing the information on the form, the representative used poor judgment and missed an opportunity to counsel the student on the law. This behavior warrants a finding under questionable statements – not fraud.

The one finding that is supported by GAO audio recording (College 3; Scenario 2) does include a financial aid representative providing coaching to falsify a financial aid form. However, the questions of the undercover applicant and his friend are suggestive and leading. Note that the scenario of a student coming in with a \$250,000 inheritance (or any inheritance) is not a typical situation that a representative would have dealt with in their entire professional career.

B. Deceptive or Questionable Statements

The GAO stated, “Admissions or financial aid representatives at all 15 for-profit colleges provided our undercover applicants with deceptive or otherwise questionable statements. These deceptive and questionable statements included information about the college’s accreditation, graduation rates and its student’s prospective employment and salary qualifications, duration and costs of the program, or financial aid. Representatives at schools also employed hard-sell sales and marketing techniques to encourage students to enroll.”

Audio Recordings Support 14 of 55 Findings. Upon further review of the actual GAO recordings of conversations and their analysis, these findings are not confirmed as reported. Again, recordings are not available for review from two colleges (4 recordings from Schools 12 and 13) plus another recording is missing from School 4 (Scenario 1). Of the 25 remaining recordings representing 13 different colleges, we only found **14 actual infractions as compared to the 55** originally cited by the GAO in this category. An additional four infractions cited by the GAO cannot be verified, or require additional information.

Below is a detailed explanation of each of the GAO findings we believe are false and those that are confirmed but require additional explanation.

1. **Accreditation Information** – The GAO stated, “Admissions representatives at four colleges either misidentified or failed to identify their colleges’ accrediting organizations,” yet we only found two infractions. Further clarification includes:
 - College 1, Scenario 1 – The admissions representative compares their college accreditation to the University of Arizona and Arizona State University.

Not Confirmed. This is an accurate statement, but not a finding. All institutions referenced in this exchange are accredited by *The Higher Learning Commission*. Given accreditation can be difficult for a prospective student to understand, a comparison of this nature appears to be an attempt to offer clarification and accurate information.

- College 6, Scenario 1 – While the rep does state that the college is accredited by the DC Board of Cosmetology (confirmed via DC Board of Cosmetology website), rep also states that they are federally accredited. Rep does not state by which federal agency.

Audio recording supports GAO finding. This is an accurate statement and warrants a finding yet the comment may be more reflective of a lack of training on behalf of the admissions representative rather than blatant unethical or deceptive behavior.

- College 11, Scenario 2 – The admissions representative told the undercover applicant that the college is regionally accredited but does not state the name of the accrediting agency. The college’s website did provide specific information about the college’s accreditation, however.

Not Confirmed. This is not a finding. The posting of this information on the website meets DOE requirements and the term “regional accreditation” is a generic reference that is commonly used in higher education to signify one of the six major accrediting agencies. The information regarding accreditation was available on the website as noted in the GAO report. The undercover applicant also interrupted the rep before they could complete their full response.

2. **Graduation Rate, Employment and Expected Salaries** - The GAO stated, “Representatives from 13 colleges gave our applicants deceptive or otherwise questionable information about graduation rates, guaranteed applicants jobs upon graduation, or exaggerated likely earnings.”

Graduation Rates

Although the GAO cited nine findings specifically related to graduation rates, we found only two infractions. There was one finding that we can’t confirm since the recording is missing. Clarification includes:

- College 1, Scenario 1 – The GAO stated the admissions representative did not disclose the graduation rate after being directly asked. He did provide information on how many students graduated in May. This information was available on the college’s website which meets DOE requirements.

Not Confirmed. The GAO stated the information was available on the college’s website which meets DOE requirements. Additionally, it was not clear from the recording whether the GAO undercover applicant was asking for a graduation rate for the program she was looking at or the graduation rate of the overall college.

- College 3, Scenario 1 - The GAO report stated the college representative did not tell the graduation rate when asked directly.

Not Confirmed. Recording does not contain the alleged conversation. During the campus tour, the rep talks about graduation but the GAO undercover applicant does not ask about graduation rate at any time.

- College 7, Scenario 1 – When asked by the GAO undercover applicant for the graduation rate of two programs, the admissions representative did not answer directly. For example, the representative stated that “I’ve seen it’s an 80 to 90% graduation rate” for one of the programs but said for that information “I would have to talk to career services.” She also said 16 or 17 students graduated from one of the programs, but couldn’t say how many students had started the program. The college’s website also did not provide the graduation rate.

Not Confirmed. Colleges are not required to provide programmatic graduation rates. Under the current law, schools provide an institutional completion/graduation rate via IPEDS.

Note: The recordings for School 7 are disorganized and actually contain a total of three undercover visits versus the two reported by the GAO. It appears that in the recording of School 7, Scenario 1, there is an additional visit. The recording starts with an undercover applicant completing their assessment test and is uncensored to include the names of the undercover applicant and admissions representative (undercover applicant is Terri and the admissions rep is Gloria). There is not a complete recording for Terri. The recording at 1:21:37 jumps to a different visit with the undercover agent Christina beginning an admissions interview. At 2:24:39, the recording starts the undercover applicant’s return visit the next day for a financial aid appointment. The recording ends mid-interview (2:43:02).

- College 10, Scenario 2 – GAO report states that the admissions representative did not provide the graduation rate when directly asked but instead said that not everyone graduates.

Not Confirmed. After review of the recording, the undercover applicant does not ask for a graduation rate. Instead she asks, “Does everyone graduate that starts?” The admissions rep answers this question and says, “Nah (inaudible) I don’t know what our completion rate is, but I do know that it is not 100%...”

- College 11, Scenario 2 – GAO reported that admissions representative did not disclose the graduation rate after being directly asked. He instead explained that all students that do the work graduate. This information

was available on the college's website; however, it required significant effort to find the college's graduation rate, and the college did not provide separate graduation rates for its multiple campuses nationwide.

Not Confirmed. The undercover applicant did not directly ask for the admissions representative to disclose the graduation rate. The undercover applicant asked, "Most people graduate?" Representative stated that most of the people who go through don't graduate, but the ones that are serious do. In addition, it is not required that a college provides graduation rates by campus but rather in aggregate. According to the GAO, the information was posted on the college's website.

- College 13, Scenario 2 – GAO report stated the admissions representative did not disclose the graduation rate nor was it on the website.

Not Confirmed/Information Missing or Needs Verification. The recording for this school is not available to review.

- College 14, Scenario 1 – The college's Web site did not provide the graduation rate.

Not Confirmed. Colleges are not required to provide graduation rate via their website.

Employment

The GAO study indicated "representatives at two colleges told (our) undercover applicants that they were guaranteed or virtually guaranteed employment." We actually found three statements related to employment expectations and found none of them to be valid. Clarification includes:

- College 1, Scenario 1 – GAO report stated that the admissions representative says that he doesn't know the job placement rate because a lot of students moved out of the area.

Not Confirmed. This is an accurate statement, yet not a finding. The admissions representative continued to explain the downside of the field the undercover applicant was looking into. There was no inflation of job expectations whatsoever.

- College 5, Scenario 2 – GAO study said the admissions representative told the undercover applicant that almost all of the graduates get jobs.

Not Confirmed. This statement is accurate, but not a finding. What was reported by the GAO is only a fragment of the conversation. In the very next sentence the admissions representative explains that most students come to the college with a job already. The college encourages them to keep their job and look for advancements and promotions as a result of their education. In addition, the admissions representative clearly states early on in the interview that there are no guarantees of placement and that no school can do that.

- College 6, Scenario 1 – GAO study said the admissions representative suggested to the undercover applicant that all graduates get jobs. Specifically he told the applicant that if he had not found a job by the time he graduated from the school, the owner of the school would personally find the applicant a job himself.

Not Confirmed/Information Missing or Needs Verification. This statement is accurate as reported by the GAO; however it's impossible to know the accuracy of the representative's statement. It appears the owner of the school does own salons in the Washington, DC area and may have the means to offer jobs to graduates. Without further study, this finding cannot be validated. Mystery shop best practices would suggest that any placement/employment information

be linked to a source, printed material, etc. We cannot tell from the recording whether this information was connected to a source or other documentation.

Expected Salaries

The GAO study states, “At five colleges, our undercover applicants were given potentially deceptive information about prospective salaries.” We actually found six instances at six different colleges where salaries were discussed. Upon review, the recordings support two GAO findings and one finding is impossible to confirm since there is information missing. See clarification of all six scenarios below:

- College 3, Scenario 2 – According to the GAO study, “The career representative told the undercover applicant that getting a job is a ‘piece of cake’ and then told the applicant that she has graduates making \$120,000 - \$130,000 a year. This is likely the exception; according to the BLS 90 percent of architectural and civil drafters make less than \$70,000 per year. She also stated that in the current economic environment, the applicant could expect a job with a likely starting salary of \$13 - \$14 per hour or \$15 if the applicant was lucky.”

Not Confirmed. The recorded conversation does not support this finding. The recording does not contain the alleged conversation and the undercover applicant does not meet with a “career representative” in the recorded conversation. There is no mention of a “piece of cake” or salaries of \$120,000 - \$130,000.

- College 4, Scenario 2 – The GAO stated that “...one school representative indicated to the undercover applicant that he could earn up to \$30 an hour as a massage therapist, another representative told the applicant that the school’s massage instructors and directors can earn \$150 - \$200

an hour. While this may be possible, according to the BLS, 90 percent of all massage therapists in California make less than \$34 per hour.”

Not Confirmed. The original GAO report stated that the undercover applicant was told they could make up to \$100 an hour. The revised GAO report adjusts this down to \$30 an hour and includes additional information about the salary discussion. After listening to the complete recording, as the interview progresses and at the time of enrollment, what is clear is that the admissions representative reviewed a data sheet with the undercover applicant and showed the minimum average per hour for massage therapy in this area is \$22 per hour. The representative also stressed that earnings would be based on experience.

- College 5, Scenario 2 – The GAO report stated that they were provided with a flyer stating “that the average income for business management professionals in 2004 was \$77,000 - \$118,000.” When asked more directly about likely starting salaries, the admissions representative said that it was between \$40,000 and \$50,000.

Not Confirmed/Information Missing or Needs Verification. We are unable to verify this information without seeing the flyer the undercover applicant was given. However, the admissions representative goes on to clarify that salary would be based on the position.

Additional external review of BLS data identifies the area where this school was located as the highest earning state for individuals in the occupational area: “First-Line Supervisors/Managers of Office and Administrative Support Workers” with an annual mean wage of \$67,170. Given this information, the starting salaries quoted, along with the disclaimer that “salary would be based on position,” appear to be accurate and not inflated.

- College 6, Scenario 2 – According to the GAO study, the “admissions representative told our undercover applicant that barbers can earn \$150,000 to \$250,000 a year, though that would be extremely unusual. The BLS reports that 90 percent of barbers make less than \$43,000 a year. In Washington, DC, 90 percent of barbers make less than \$17,000 per year. He said, “The money you can make, the potential is astronomical.”

Audio recording supports GAO finding. This finding is accurate as reported however upon listening to the entire recording, the admissions representative can be heard telling the undercover agent three different salary scenarios:

One: “\$600 a day x 5 days a week—and that’s on the low end,” with the explanation that “Most people will pay 25 dollars for a haircut and a haircut takes an hour...”

Two: “\$1000 a day. Most barbers work for themselves. The potential for money to make is astronomical.”

Three: “Otherwise you pay for a chair — you pay for the booth — it depends on the location—and you rent a chair. 100-200 a week, but you think you can make 200 a day.”

The representative did quote a daily earning rate that could total up to \$150,000 or more. However, the representative goes on to quote a much lower earning rate as well. If the report is going to be valid and useful – then all salary scenarios should be quoted.

- College 8, Scenario 1 – According to the GAO report the “admissions representative suggested undercover applicant switch from criminal justice to the medical assistant certificate, where she could make up to \$68,000 per year. While this may be possible, BLS reports 90% of medical assistants make less than \$40,000 per year.”

This finding actually represents two different findings: one related to sales/marketing practices and the other salary. In this section, we'll address the salary finding.

Audio recording supports GAO finding. The complete conversation shows the admissions representative overstating earnings. The admissions representative responded with, "I think you would be awesome at medical assisting. They start out at like, I'm not supposed to discuss salary but they start out at like 38 or 40,000 a year...." This figure coincides with the GAO reported earnings.

The admissions representative did go on to say, "You could get specialized in different fields... with each specialization you're gonna make more money so I know medical assistants making 68 -- 69,000 a year, it just depends." This last statement needs to be verified and therefore is questionable.

Note: This recording begins with the undercover applicant on her tour, the director interview, and meeting the criminal justice instructor. It is turned off during the assessment test, and breaks at 1:15:50 then the recording goes to the beginning of the admissions interview. The recording breaks at 2:44:41 while the undercover agent is in FA and jumps back to the admissions interview. The entire recording is a male admissions representative, but we cannot determine if it is the same representative; therefore could potentially be two interviews. We evaluated assuming it is one because it is the same undercover applicant, scenario and program. The recording is 3 hours and 13 minutes in length.

- College 14, Scenario 2 – The GAO undercover applicant stated that the “admissions representative guaranteed the undercover applicant that getting a degree would increase his salary.”

Not Confirmed. Listening to the entire recording reveals the admissions representative providing information; he does not “guarantee” anything.

Undercover applicant says: "I'm not really sure, how much these jobs pay . . . Like a business analyst? Stock broker?"

Representative says a lot of it has to do with past experiences and goes on to say that employers look at experience and education. Rep asks what undercover applicant's title is and he states he is a "router" and explains his tasks.

Representative states that the undercover applicant already has a lot of skills.

Undercover applicant says, "I know there are a lot of jobs out there, but do you have any idea how much people make with an associate's degree? I'm thinking it's gotta be better, I'm making about \$30,000 now?"

Representative says, "Ya, let me see if I have that, I'll get that flyer for you when we're done. Basically, I'm going to be honest with you. . .you're already at the salary that you are at now, adding education is going to increase your salary. That's gonna be a given."

As previously sourced by the GAO, the Bureau of Labor Statistics is a reputable source for salary and labor information. According to 2009 statistics, the BLS states that those with an associate degree will earn \$761 a week compared to those with just a high school diploma earning \$626 a week. It is therefore reasonable to assume the undercover applicant will earn more with a degree. In addition, assuming the undercover applicant works full-time, the \$30,000 annual earnings they reported equates to only \$577 per week (http://www.bls.gov/emp/ep_chart_001.htm).

In sum, the GAO stated they were given deceptive or otherwise questionable information related to graduation rates, employment and expected salaries by 13 colleges for a total of 18 findings. Upon further review we found only 11 colleges with findings in this area however **audio recordings only support four of the 18 findings as accurate**. There also are three findings we are unable to confirm due to missing information.

Program Duration and Cost

The GAO cited nine colleges for giving “...undercover applicants deceptive or otherwise questionable information about the duration or cost of their colleges’ programs. According to federal regulations, a college may not substantially misrepresent the total cost of an academic program. Representatives at these colleges used two different methods to calculate program duration and cost of attendance. Colleges described the duration of the program as if students would attend classes for 12 months per year, but reported the annual cost of attendance for only 9 months of classes per year. This disguises the program’s total cost.”

We only found seven instances amongst seven colleges where program duration or cost were cited. Five of the alleged findings are reflective of a misunderstanding on behalf of GAO undercover agents related to academic versus calendar year financial aid eligibility. In two instances we are unable to determine if the GAO findings are accurate because we don’t have access to information given to the undercover agent and the recording is not available for review for College 13. Clarification is offered below:

- College 1, Scenario 2 – According to the GAO study, the “admissions representative said the bachelor’s degree would take a maximum of 4 years to complete, but she provided a 1-year cost estimate equal to 1/5 of the required credit hours.”

Not Confirmed. This is not a finding at all since students attend college year-round at this institution and can reapply for financial aid more than once in a calendar year. An academic year consists of 9-months of attendance. It is typical for ALL (not-for-profit and for-profit) colleges and universities to quote cost based on credit hour or academic terms. Furthermore, it is also common for colleges/universities to only have costs for one academic year. This procedure is

supported by the National Association of College Admissions Counseling (NACAC) in its Statement of Principles of Good Practice.

- College 2, Scenario 2 – According to the GAO, the “admissions representative misrepresented the length of the program by telling the undercover applicant that the 96 credit hour program would take 2 years to complete. However, she only provided the applicant a first-year cost estimate for 36 credit hours. At this rate it would take more than 2.5 years to complete.

Not Confirmed. It was the financial aid representative, not the admissions representative that provided this information. It seems the GAO does not understand the difference between calendar years and academic years. Students at most career colleges attend class year-round. However, they may advance an academic year every nine months and reapply for financial assistance. Because of this, costs at most institutions of higher education are stated in terms of academic year, not calendar year. The representative clearly states that tuition is \$313 per credit hour and that there are 96 credits total.

- College 5, Scenario 2 – According to the GAO study, the “admissions representative said the bachelor’s degree would take 3.5 to 4 years to complete. He gave the applicant the cost per 12-hour semester, the amount per credit, the total number of credits required for graduation, and the number of credits for the first year. When asked if the figure he gave multiplied by four would be the cost of the program, the representative said yes, although the actual tuition would have amounted to some \$12,000 more.”

Not Confirmed. The admissions representative was clear on cost per class and the number of classes required to complete the bachelor’s degree. Cost and length of

time to completion are discussed two different times during the recording. Again it appears the GAO does not understand an academic year versus a calendar year.

- College 10, Scenario 1 – According to the GAO study, the “admissions representative said the bachelor’s degree would take 3.5-4 years to complete, but only provided an annual cost estimate for 1/5 of the program.

Not Confirmed. The admissions representative clearly explained how students attend class and provided a per-credit-hour cost for the first academic year. Again, it appears the GAO does not understand the difference between academic year versus a calendar year.

- College 13, Scenario 1 – No recording available.

Not Confirmed/Information Missing. It should be noted the GAO report states that the undercover applicant was given specific costs of attendance from the financial aid department with no mention of confusion or inaccuracies.

- College 14, Scenario 1 – According to GAO, the “admissions representative said the program takes 18 to 24 months to complete, but provided a cost estimate that suggests the program takes more than 2.5 years to complete.”

Not Confirmed. The financial aid representative clearly explains first year cost and explains in their preliminary meeting with the undercover applicant: “This estimate is based on the first 9 months of the school year. It's 36 credit hours. \$377.75 per credit hour. \$13,599. This includes supplies, scrubs, backpacks. \$1518 books.” Once again, it appears that GAO does not understand an academic year versus a

calendar year. Under the scenario outlined above, the student would complete 48 credits in a calendar year, and would finish in 2 years.

- College 15, Scenario 2 – According to the GAO study, the “admissions representative misrepresented the length of time it would take to complete the degree. He said the degree would take 2 years to complete but provided a cost worksheet that spanned 3 years.

Not Confirmed/Information Missing or Needs Verification. Upon review of the recordings, it can be heard that the admissions representative was a female yet the GAO statement indicates the representative was a male. The recordings for this college and scenario are different from other recordings in that the recording begins with a financial aid appointment (the undercover agent’s second visit to campus) at 37:35 the recording breaks to the beginning of the interview. The recording ends with the undercover agent on tour. We are unable to make a complete, informed assessment of this scenario given we don’t know how much of the interview is missing nor do we have access to the cost worksheet referenced by the GAO. It also appears the cost worksheet was offered by the financial aid representative not the admissions representative.

In addition, it would appear that the GAO does not understand academic years versus calendar years and how students can enroll as a full time student, take 12 credits per quarter, (48 credits per year) and complete a 96 credit-hour program in two calendar years, but attend almost three academic years.

3. **Financial Aid** - The GAO stated that “eleven colleges denied undercover applicants access to their financial aid eligibility or provided questionable financial advice. According to federal statutes and regulations, colleges must make information on financial assistance programs available to all current and prospective students.”

The GAO reported a total of 23 findings in this area. We were unable to confirm seven of these findings since recordings were not available. Of the remaining 16 alleged findings in this area, we were able to confirm five as reported by GAO (two of these findings are already mentioned in the Fraudulent Practices section). Overall, it appears there is confusion on behalf of GAO regarding the federal statutes and regulations on what constitutes “...make information on financial assistance programs available.”

In six of the scenarios (including two with missing recordings but written transcripts), the undercover agent was seeking information beyond the scope of general financial aid programs. Undercover agents were inquiring about specific details on their personal aid eligibility which requires the expertise and time of a financial aid representative. The financial plan or financial packaging requires document completion and verification and it is a standard practice for this level of financial aid planning to be limited to serious applicants. In fact, non-profit colleges that are members of NACAC must adhere to the Statement of Principles of Good Practice that directs members to not “make guarantees or any financial aid or scholarship awards prior to an application being submitted...”

See additional clarification below:

- College 1, Scenario 2 – According to the admissions representative the undercover applicant was qualified for \$9,500 in student loans, and the representative indicated that the applicant could take out the full amount even though the applicant indicated that he had \$250,000 in savings.

Not Confirmed. This statement is not accurate. The representative said inheritance would not affect ability to take out loans – but never encouraged undercover applicant to take out loans. The representative also referred the

undercover applicant directly to FAFSA – and even gave undercover applicant the number so they could call directly with a question.

- College 2, Scenario 2 – Upon request by the undercover applicant, the financial aid representative estimated federal aid eligibility without the undercover applicant’s reported \$250,000 in savings to see if applicant qualified for more financial aid. The representative informed the applicant he was ineligible for any grants.

Not Confirmed. The financial aid representative was simply complying with request of undercover applicant. Furthermore, this action is in compliance with the National Association of Student Financial Aid Administrators (NASFAA) Statement of Ethical Principles.

(http://www.nasfaa.org/Marketing/About/Association/Statement_of_Ethical_Principles.aspx)

- College 3, Scenario 2 – The financial aid representative was aware of the undercover applicant’s inheritance and, addressing the applicant’s expressed interest in loans, confirmed that he could take out the maximum in student loans.

Not Confirmed. It’s up to the student to decide if they want loans or not. The undercover applicant brought up the whole loan discussion and said he had completed a FAFSA and that he qualified for loans. The financial aid rep only confirmed what the undercover applicant said.

- College 4, Scenario 1 – No recording available.

Not Confirmed. Information Missing or Needs Verification. It is important to note in the second recording from this college using Scenario 2, the financial aid representative is clear with the undercover applicant that the FAFSA cannot be changed and that the applicant must report the money he had in the bank upon completion of the FAFSA – even when pressured, the financial aid rep says, “No.”

- College 5, Scenario 2 – Admissions representative required the undercover applicant to apply to the college before he could talk to someone in financial aid.

Not Confirmed. The undercover applicant eventually talks to financial aid without enrolling. College representative also points out that undercover applicant must register with the selective service if they are going to use loans.

- College 7, Scenario 1 – According to the GAO, the “admissions representative told (their) prospective undercover applicant that student loans were not like car loans because student loans could be deferred in cases of economic hardship, saying ‘It’s not like a car note where if you don’t pay they’re going to come after you. If you’re in hardship and you’re unable to find a job, you can defer it.’ The representative did not explain the circumstances under which students might qualify for deferment. Borrowers who do not qualify for deferment or forbearance and who cannot pay their loans face fees, may damage their credit or have difficulty taking out future loans. Moreover, in most cases, bankruptcy law prohibits a student borrower from discharging a student loan.”

Audio recording supports GAO finding. It should be noted that this statement was made by an admissions representative to illustrate the deferment options available with student loans. This was presented in a preliminary admissions

meeting in the context of exploring cost, affordability and financial aid options. The applicant would typically proceed to a financial aid packaging appointment as a next step in the enrollment process.

The admissions representative would benefit from training to clarify information in explaining this scenario in the future.

- College 8, Scenario 1 – The undercover applicant was not allowed to speak to a financial aid representative until she enrolled in the college.

Not Confirmed. A review of the recording does not support the statement. The undercover applicant is assured that she will not make a payment until she is completely comfortable. It is the undercover applicant who suggests she make application that day and return for financial aid the next.

- College 8, Scenario 1 – On paying back loans, the representative said, “You gotta look at it...I owe \$85,000 to the University of Florida. Will I pay it back? Probably not...I look at life as tomorrow’s never promised....Education is an investment, you’re going to get paid back ten-fold, no matter what.”

Audio recording supports GAO finding.

- College 8, Scenario 2 – The representative said that student loans would absolutely cover all costs in this 2-year program. The representative did not specify that federal student loans by themselves would not cover the entire cost of the program. While there are private loan programs available, they are normally based on an applicant passing a credit check, and typically carry higher interest rates than federal student loans.

Not Confirmed. This is correct as reported but not a finding. This statement was made in a preliminary meeting with the admissions representative and in the context of exploring cost, affordability and financial aid options. The applicant would have proceeded to a financial aid packaging appointment where a financial plan would be created as a next step in the enrollment process. It would be during this financial planning appointment that the prospective student would learn the differences between the types of student loans.

Additionally, it should be noted this finding contradicts finding 33 (Appendix 1) stating that the “applicant had to sign an agreement saying she would pay \$50 per month toward her education while enrolled in college.”

- College 8, Scenario 2 – The representative said paying back loans should not be a concern because once he had his new job, repayment would not be an issue.

Not Confirmed. After reviewing the recording, there is no evidence of a discussion about a “new job” or that “repayment would not be an issue.”

- College 11, Scenario 1 – Admissions representative told the undercover applicant that she could take out the maximum amount of federal loans, even if she did not need all the money. She told the applicant she could put the extra money in a high-interest savings account. While subsidized loans do not accrue interest while a student is in college, unsubsidized loans do accrue interest. The representative did not disclose this distinction to the applicant when explaining that she could put the money in a savings account.

Not Confirmed. This is not an accurate description of the conversation. This explanation was given during a long conversation about cost, how tuition is paid, and how the decision about how much to borrow is up to the student. Just prior to this example about what the student “could” do, the admissions representative

clearly states in regard to the loan amount: “You really could take out less than the actual amount (you need). But what I tell my students is I can’t tell you what to choose. I want you to choose what’s financially responsible” (This discussion of financial responsibility is not included in the GAO report.) Although the conversation regarding cost and borrowing money is long and sometimes confusing, what the GAO is reporting as a finding is in reality an example that is extracted from the complete interview and used out of context. Furthermore, this was not a financial aid packaging interview – it was an admissions interview where estimates and scenarios were shared to illustrate cost and how students pay.

- College 11, Scenario 2 – Admissions representative said financial aid may be able to use what they call “professional judgment” to determine that the undercover applicant does not need to report over \$250,000 in savings on the FAFSA.

Not Confirmed. This comment only captures a portion of the whole conversation which included much more detail:

Undercover applicant: "Is there any way to get around that?"

Representative: “Um, when it comes that time there is something called Professional Judgment, I am not an expert on this, there are people in FA that handle this, when you actually begin classes you can talk to your Finance Counselor about that, there are ways of actually getting around things, but if it truly is an issue they have something called Professional Judgment , ...(if your taxes/income was drastically different from one year to the next) they would do a Professional Judgment...”

Undercover Applicant: “So that might be my case if my normal income is lower”

Representative: “That's something you would want to take up with a finance counselor.

The admissions rep was very clear that the undercover applicant would need to take this up with financial aid.

- College 12, Scenario 1 – No recording available.

Not Confirmed.

- College 12, Scenario 2a – No recording available.

Not Confirmed.

- College 12, Scenario 2b – No recording available.

Not Confirmed.

- College 12, Scenario 2c – No recording available.

Not Confirmed.

- College 13, Scenario 2a – No recording available.

Not Confirmed.

- College 13, Scenario 2b- No recording available.

Not Confirmed.

- College 15, Scenario 1 – The undercover applicant was not allowed to speak to a financial aid representative until he enrolled in the college.

Audio recording supports GAO finding. Note in non-profit colleges, NACAC states members should not “make guarantees or any financial aid or scholarship awards prior to an application being submitted,” however, when listening to the complete interview, it should be noted that this school does not charge an enrollment fee. An applicant would not be required to pay any enrollment fee to take the assessment test and meet with financial aid.

- College 15, Scenario 2 – The undercover applicant was told he was not allowed to speak to a financial aid representative until he enrolled in the college. After refusing to sign an enrollment agreement the applicant was allowed to speak to someone in financial aid.

Not Confirmed. This statement contradicts itself. The undercover applicant was in fact allowed to speak to someone in financial aid. Furthermore early in the interview the admissions representative states the undercover applicant “can absolutely meet with a financial aid rep today.” Later in the interview the admissions representative is indeed reluctant to have the undercover applicant proceed without completing an enrollment agreement, but then goes ahead and permits undercover applicant to visit with financial aid.

- College 15, Scenario 2 - Admissions representative told undercover applicant that monthly loan repayment would be lower than it actually would.

Not Confirmed. This is not an accurate account of the interview. The admissions representative asks the undercover applicant how much he could pay per month while he was in school. The undercover applicant volunteers that he could pay a couple hundred dollars per month. The conversation continues with admissions rep verifying that a couple hundred would be a reasonable amount. The undercover applicant’s friend interrupts and asks if that amount is for “these loans” (as if he was

pointing to something on a hand out). The admissions representative clarifies and says she can't really break that down because she doesn't work in financial aid.

Our professional opinion is that the payment amount for a monthly in-school payment has been confused with student loan repayment amounts.

4. **Other Sales and Marketing Tactics** – The GAO reported that “six colleges engaged in questionable sales and marketing techniques such as employing hard-sell sales and marketing techniques and requiring enrolled students to pay monthly installments to the college during their education.”

There were 12 findings from seven colleges cited by the GAO. Audio recordings supported only two of these findings. A recording was missing for one college and information was missing on a second leaving us with two unresolved findings. See below for additional clarification on the other eight findings:

- College 1, Scenario 1 - Admissions representative encourages undercover applicant to continue on with a master's degree after finishing with the bachelor's. He stated that some countries pay teachers more than they do doctors and lawyers.

Not Confirmed. Though the statement is accurate, the admissions representative then goes on to explain the downside of the field that the undercover applicant is looking at. There is no inflation of job expectations whatsoever.

- College 3, Scenario 1 - College representative told the undercover applicant that if she failed to pass the college's required assessment test, she can continue to take different tests until she passes.

Not Confirmed. In an attempt to calm the undercover applicant's nerves, the college representative explains that if the undercover applicant doesn't pass, there

are other versions of the test. Although the explanation could have been better, allowing students to retake an admissions or placement test is not uncommon and is not an infraction. The college representative never states that the undercover applicant can continue taking the test “until she passes.”

- College 3, Scenario 1 - Undercover applicant was required to take a 12-minute admittance test but was given over 20 minutes because the test proctor was not monitoring the student.

Not Confirmed. Information Missing or Needs Verification. It is impossible to verify if this is accurate. The recording was turned off during the test.

- College 5, Scenario 1 - Admissions representative explains to the undercover applicant that although community college might be a less expensive place to get a degree, community colleges make students spend money on classes that they do not need for their career. However, this school also requires students to take at least 36 credit hours of non-business general education courses.

Not Confirmed. This is not accurately reported. The admissions representative goes on to explain other differences between their school and a community college including class size and instructor qualifications. Representative also directs the undercover applicant to the school website for course information.

- College 5, Scenario 1 - Admissions representative encouraged the undercover applicant to enroll by asking her to envision graduation day. He stated, “Let me ask you this, if you could walk across the stage in a black cap and gown. And walk with the rest of the graduating class and take a degree from the president’s hand, how would that make you feel?”

Not Confirmed. This comment was taken out of context. The admissions representative asked the undercover applicant to envision graduation in the context of discussing the undercover applicant’s hopes and dreams for the future.

- College 8, Scenario 1 - Test proctor sat in the test taking room with the undercover applicant and coached her during the test.

Audio recording supports GAO finding.

- College 8, Scenario 1 - Applicant had to sign agreement saying she would pay \$50 per month toward her education while enrolled in college.

Not Confirmed. The undercover applicant completed the application willingly and when signing the enrollment agreement did not challenge the \$50 per month fee. It is not uncommon for schools to require an “in-school” payment. This reduces the amount of student loan debt for the student and requires the student to be committed to their education. It also serves as a deterrent for students who are looking for a “free” education that is funded 100% by grants and loans.

- College 8, Scenario 1 - According to GAO report, the “admissions representative suggested undercover applicant switch from criminal justice to the medical assistant certificate, where she could make up to \$68,000 per year. While this may be possible, BLS reports 90% of medical assistants make less than \$40,000 per year.

This finding actually represents two different findings - One related to sales/marketing practices and the other salary (addressed earlier). In this section, we’ll deal with the sales/marketing practices finding.

Not Confirmed. Upon listening to the full conversation, it is clear that the admissions representative did not encourage the undercover agent to switch majors until the agent asked, "So I am open, what do you think would be a good field for me? Medical field?"

- College 8, Scenario 2 - When the applicant asked about financial aid, the two representatives would not answer but debated with him about his commitment level for the next 30 minutes.

Audio recording supports GAO finding.

- College 8, Scenario 2 - The representatives used hard-sell marketing techniques; they became argumentative, called applicant afraid, and scolded applicant for not wanting to take out loans.

Audio recording supports GAO finding.

- College 9, Scenario 2 – The admissions representative initially provided misleading information to the undercover applicant about the transferability of credit. First she told the applicant that the credits will transfer. Later, she correctly told the applicant that it depends on the college and what classes have been taken.

Not Confirmed – The representative accurately discussed the likelihood of credits transferring.

- College 12, Scenario 1 – If the undercover applicant was able to get a friend to enroll in the college she could get an MP3 player and a rolling

backpack. As noted in the testimony this is not illegal, it is a marketing tactic.

Not Confirmed. Information Missing or Needs Verification. Although a recording is not available to confirm this conversation, the GAO has already indicated it is not illegal. This is simply a referral program for satisfied students to recommend friends and family.

- College 14, Scenario 2 - Undercover applicant would be required to make a monthly payment to the college towards student loans while enrolled.

Not Confirmed. It is not uncommon for schools to require “in-school” payments. This reduces the amount of student loan debt and requires the student to be committed to their education.

It is important to note that seven of the findings cited on pages 12 and 13 of the revised GAO report , involved activities that are not against any regulations whatsoever - specifically, the practice of requiring an in-school payment (cited three times). A college may not legally deny a student’s full eligibility for aid (except on a case-by-case basis). This means that some students would be left with no amount owed to the school after financial aid was issued and therefore no in-school payment required.

Finally, there are factual inconsistencies as the narrative on page 13 in the revised GAO report is not supported by Appendix I of the same report. The narrative on page 13 claims that: Three colleges required under-cover applicants to make \$20 to \$150 monthly payments once enrolled.....” A review of the individual findings in Appendix I confirms only two of these instances (College 8 – 1 and college 14 – 2). Similarly, the narrative on page 13 of the revised report states: “At two colleges, our undercover applicants were told that if they recruited other students, they could

earn rewards....” Again, a review of the individual findings in Appendix I confirms only one of these instances (College 12 – 1).

5. Accurate and Helpful Information Provided

The purpose of this study was to determine if the GAO undercover testing (mystery shopping) of for-profit colleges and subsequent report findings were accurate and unbiased yet the GAO only reports six random instances of accurate and helpful behavior from 30 shops to 15 institutions.

The GAO isolated and reported on random findings instead of using a meaningful approach that would aggregate information and show industry trends. A better approach would be to report on specific transaction points across the complete study. For example five of the schools visited informed the undercover applicant of a potential selective service issue. The GAO never cites this accurate, helpful and overarching finding.

The GAO uses arbitrary and incomplete measures when citing that “several” undercover applicants were provided salary information obtained from BLS or were encouraged to research salaries in their prospective fields using the BLS web site. Just how many shops does “several” mean? A review of the 25 tapes available verifies only four colleges referenced BLS.

There are numerous examples of accurate and helpful information throughout the recordings at all 15 colleges – too many to list here. When the GAO reports on a single instance of an admissions representative doing something good or favorable, one may assume it only occurred once. This simply isn’t true. For instance, the GAO never even mentioned this scenario from an admissions representative from college nine – scenario one, who responded to a question from the undercover applicant

with the following response at 4:21 of the recording.

Undercover applicant: "Is employment guaranteed?"

Admissions Representative: "No, that I cannot say. Any school that says that to you, is uh, gets the Pinocchio award."

Finally, had the GAO engaged qualified personnel to work on this project, they would have been aware of practices in other educational institutions. So when citing for-profit colleges for not providing graduation rates, they may have referenced our recent mystery shopping of 15 community colleges when 0 in 15 representatives provided our undercover shoppers with graduation rates (Norton|Norris, Inc., 2010).

IV. Additional Findings

A. Web Site Inquiries and Service

The GAO report stated that their four fictitious students received 436 phone calls in the first 30 days after completing information on select websites. The assumption is this activity constitutes aggressive marketing or sales behavior and on the surface, it may appear to be true. It's important to note that a majority of these calls were stated to be from for-profit colleges yet a call did not always result in a voicemail message and the GAO had no way of knowing if the call was from a for-profit or non-profit college. It was never reported exactly how many schools called.

At the same time, it is common practice for online lead generation companies to "sell" the name of an interested student to multiple colleges even though the prospective student only filled out one web inquiry form. This is outside of the schools' control and a point of great frustration for many colleges since they have no way of knowing who else might be calling the prospective student.

It is entirely possible a GAO undercover applicant received calls from four to six different colleges who maybe called four or five times in the course of a month (or

once a week on average). Had the fictitious student answered the phone, the number of calls would have been reduced dramatically.

So although this activity was cited as being aggressive, there may be a logical explanation. Most for-profit colleges are simply trying to provide excellent service by responding to a legitimate inquiry as quickly as possible. Some would say this is good business especially when you consider our experience shopping community colleges. Our most recent study resulted in a majority of our fictitious students not being able to get in touch with a live person. The few that were able to connect with a representative were directed to go look at the college website for answers to their questions (Norton|Norris, 2010).

B. Tuition at For-Profit Colleges is Sometimes Higher Than Tuition at Nearby Public and Private Nonprofit Colleges

As part of the GAO study, investigators compared the tuition at the 15 for-profit colleges they visited with public and private, non-profit colleges located in the same geographic area as the for-profit college. A couple of points to reiterate and clarify from the report include:

- The definition of the word “comparable” must be clarified. Although the tuition was higher at the for-profit colleges compared to public colleges in 14 of the 15 cases, the growth of for-profit colleges has largely been due to their ability to meet their customer (student) needs. In other words, there must be a reason students choose a more expensive option. Could this be that the public option is viewed as being cheaper yet provides less value or service for the money?
- The definition of the word “less expensive” must be clarified. Although the tuition at the public college may be less, this is simply a function of tax dollars at work. Anyone who pays taxes is subsidizing the public colleges. So what is the REAL cost of going to the “less expensive” public school? (Charles

River Associates; “An Analysis of Taxpayer Funding Provided for Post Secondary Education: For-profit and Not-for-profit Institutions.”)

- In 40% of the cases, the GAO could not find a private, non-profit college within 250 miles that offered a similar degree to the for-profit college. It may be that the for-profit college is filling a huge need in those communities.
- According to the GAO report, they experienced practices against DOE regulations with a non-profit college they contacted. By their own admission, a representative from a private, nonprofit college would not provide their tuition information to the undercover agent.

C. Best Practices in Mystery Shopping

Best practices in college mystery shopping suggest that shoppers test identical scenarios at each location visited. The resulting summary reports should capture the occurrences – both positive and negative – of each transaction tested. This approach provides accurate aggregate reporting that can be used to draw meaningful conclusions.

The backgrounds or scenarios of mystery shoppers should reflect typical situations of a prospective student for the college demographic. GAO mystery shoppers chose a scenario (Scenario 2) that wouldn't occur in the lifetime of most admissions or financial aid professionals. In fact, in our collective 70-plus years working in the higher education sector, we have never encountered a prospective student who has inherited any money at all (let alone \$250,000). The GAO scenario may have impacted the results in a negative fashion because no one has ever dealt with anything relatively similar.

Furthermore, *Nn* experience over the past 10 years has proven that multiple shoppers should not be used. The best approach is to have the same shopper visit

each location. This reduces the subjectivity from shop-to-shop and provides a more objective data set.

A common set of compliance-related transactions that are often “shopped” in the for-profit college sector include:

- Verification of high school graduation
- Inflation of employment rates of graduates from the college
- Expected salary at graduation
- Promise of financial assistance
- Coaching during the entrance test
- Explanation of transferability of credits earned to other colleges
- Instructions from the financial aid office regarding a non-tax filer

Reports that are generated as a result of this testing compare each element above at each location tested.

Unfortunately, the GAO report did not follow this level of consistency. Instead, random findings are reported and a majority of these findings call out negative experiences without any reference to positive experiences, or overall findings for the same transaction point across the data set.

D. Professional Code of Conduct & Dual Consent States

The GAO protocol states that it is GAO’s policy to conduct investigations according to standards established by the President’s Council on Integrity and Efficiency (PCIE) as adapted for GAO’s work. PCIE standards place upon GAO and its investigators the responsibility to ensure that (1) investigations are conducted by personnel who collectively possess the required knowledge, skills, and abilities to perform the investigations; (2) judgments made in collecting and analyzing evidence and communicating results are impartial; and (3) due professional care (e.g., thoroughness, appropriate use of investigative techniques, impartiality, objectivity, protection of individual rights, and timeliness) is exercised.

Given the number of poor practices used in data collection, blatant omissions of recorded conversations, selective reporting, skewed analysis of information, and lack of understanding of typical college processes, the GAO report and subsequent testimony can be categorized as negligent, reckless and intentionally misleading.

Furthermore it should be noted that twelve states require the consent of all parties being recorded in a conversation. This is known as "dual-party consent." Under this law if there are two or more people involved in the conversation, all must consent to the taping. In the case of college mystery shopping, any party at the college who speaks to the undercover applicant would need to so sign a release. The twelve "dual-party consent" states are: California, Connecticut, Florida, Illinois, Maryland, Massachusetts, Michigan, Montana, Nevada, New Hampshire, Pennsylvania, and Washington.

It appears the GAO undercover applicants recorded all of their conversations (although we cannot confirm the missing recordings actually ever existed). Of the 25 recordings available for review, it appears that 11 were illegally made, per the federal government guidelines.

In most cases the names of the representatives and the colleges were "bleeped out" of the recordings to protect the individual and institutional identity. Unfortunately the GAO was sloppy with their editing and the names of college 10 and college 15 are clearly identifiable on the recording.

V. Conclusions

The purpose of this study was to determine if the GAO undercover testing (mystery shopping) of for-profit colleges and subsequent report findings were accurate and unbiased.

Within the limitations of this study, certain conclusions can be drawn. It is clear that the GAO investigation and subsequent report include numerous errors and omissions representing blatant misrepresentation and bias. The standards set by the President's Council on Integrity and Efficiency (PCIE) were not upheld.

The GAO stated "that all 15 colleges made deceptive or otherwise questionable statements to GAO's undercover applicants." According to our review of these findings, there are only seven colleges with any verifiable findings.

Out of the original 65 total findings from the revised GAO study, ten of these are attributed to schools 4, 12 and 13 in which recordings are not available for review. Of the remaining 55 findings, audio recordings support only 14 of these and four more require additional information to make a determination.

In fact with the 31.6 hours of available audio recordings, the recordings supporting infractions amongst all colleges comprise about one hour, or less than 4%, of the total recordings.

In addition, the poor research design and inconsistencies of the GAO mystery shopping approach makes it impossible to draw meaningful conclusions or demonstrate aggregate findings.

It also appears the analysis of the findings did not take into consideration common admission practices amongst all higher education institutions (for-profit and non-profit). Instead, report writers without industry experience jumped to conclusions and eagerly reported findings that had no basis when compared to typical admissions practices at non-profit and for-profit schools.

VI. Recommendations

Within the scope of this study, any instance where fraud or deceptive behavior were cited and supported by recordings should be further investigated and punished to the fullest extent of the law, if found guilty.

Those colleges utilizing questionable, outdated or unethical sales practices to recruit students should immediately stop such practices and offer retraining to admissions and financial aid staff on compliant and ethical approaches.

The GAO could have benefitted greatly by adhering to professional standards of conduct in their investigation including having the necessary knowledge and skills to produce a meaningful and defensible study. This tainted study has had a significant and negative impact on the for-profit education industry and the student's they serve. An immediate and full review of this office should be conducted.

The HELP Committee has touted this report as evidence of systemic issues in the for-profit education industry that do not prove to be valid. A thorough investigation into the GAO study should be conducted with immediate relief offered to the for-profit college owners, their employees and students. Continued efforts to tie the small number of infractions to a need for further government control are unnecessary. Even the minimal occurrences found in this study can be dealt with effectively with existing regulations and oversight.

In fact, given the bias and inaccurate findings by the GAO, the remaining 14 findings warrant further review to determine if even valid. We encourage those colleges cited to offer further clarification and continue the dialogue.

The movement of the HELP Committee to tie gainful employment to the tainted findings of the GAO is confusing. Gainful employment simply has nothing to do with infractions of this nature and represents further bias on behalf of the Committee.

Appendix I - Summary of Findings

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 1 Scenario 1	1	Admissions representative compares the college to the University of Arizona and Arizona State University.	Not confirmed. College is accredited by the Higher Learning Commission – just like the universities mentioned in comparison statement.
	2	Admissions representative did not disclose the graduation rate after being directly asked. He provided information on how many students graduated. This information was available on the college's Web site; however, it required significant effort to find the college's graduation rate, and the college did not provide separate graduation rates for its multiple campuses nationwide.	Not confirmed. Information was available on the College's web site and admissions representative was clear on how many students graduated in May. It should be noted that it was unclear whether shopper was asking for a graduation rate for the program she was looking at – or for the overall college graduation rate. DOE does not currently require reporting of campus specific graduation rates.
	3	Admissions representative says that he does not know the job placement rate because a lot of students moved out of the area.	Not confirmed. Though the statement is true, the admissions representative then goes on to explain the downside of the field that undercover applicant is looking at. No inflation of job expectations whatsoever.
	4	Admissions representative encourages undercover applicant to continue on with a master's degree after finishing with the bachelor's. He stated that some countries pay teachers more than they do doctors and lawyers.	Not confirmed. There is nothing wrong with suggesting additional education. This representative even encouraged the undercover applicant to attend the local community college if she wanted to accelerate and complete her general education classes faster.
College 1 Scenario 2	5	Admissions representative said the bachelor's degree would take a maximum of 4 years to complete, but she provided a 1-year cost estimate equal to 1/5 of the required credit hours.	Not confirmed. Students attend year-round at this institution and can advance an academic year in 9 months. The student can then re-apply for financial aid for the remaining three months of the calendar year. GAO does not understand the difference in calendar years and academic years. Rep provided a per credit hour cost.
	6	According to the admissions representative the undercover applicant was qualified for \$9,500 in student loans, and the representative indicated that the applicant could take out the full amount even though the applicant indicated that he had \$250,000 in savings.	Not confirmed. Rep said inheritance would not affect ability to take out loans – but never encouraged undercover applicant to take out loans. The representative also referred the shopper directly to FAFSA – and even gave undercover applicant the number so they could call directly with a question.
	7	Admissions representative told the undercover applicant that the graduation rate is 20 percent. Education reports that it is 15 percent.	Audio recording supports GAO finding.
	Original Findings for College: 7 Actual finding: 1		Note: Financial aid representative firmly stated the inheritance must be included on the FAFSA.

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 2 Scenario 2	8	Upon request by applicant, the financial aid representative estimated federal aid eligibility without the undercover applicant's reported \$250,000 in savings to see if applicant qualified for more financial aid. The representative informed the applicant he was ineligible for any grants.	Not confirmed. The undercover applicant initiates the conversation stating that he had a family member that passed away and "got an inheritance. I did not have to declare it on my taxes." The FA rep repeats the undercover applicant, "When you did your taxes you didn't have to claim that or anything?" She then tells the undercover applicant that she has to check because she's not sure how that works and says she is going to run an analysis. Based on this interaction, it appears that it was not "Upon request by the applicant", but actually the FA rep taking the initiative to accurately understand and determine eligibility based upon the information provided by the undercover applicant. The FA rep did not seek to estimate eligibility without the inheritance to see if the applicant qualified for more financial aid, rather she attempted to understand the eligibility in general.
	9	Admissions representative misrepresented the length of the program by telling the undercover applicant that the 96 credit hour program would take 2 years to complete. However, she only provided the applicant a first year cost estimate for 36 credit hours. At this rate it would take more than 2.5 years to complete.	Not confirmed. It was the financial aid representative, not the admissions rep that provided this information. It seems the GAO does not understand the difference between calendar years and academic years. Students at most career colleges attend year-round. However they may advance an academic year every nine months and reapply for financial assistance. Because of this, costs at most institutions of higher education are stated in terms of academic year, not calendar year. The rep clearly states that tuition is \$313 per credit hour and that there are 96 credits total.
Original finding for college: 2 Actual finding: 0			

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 3 Scenario 1	10	College representative told the undercover applicant that if she failed to pass the college's required assessment test, she can continue to take different tests until she passes.	Not confirmed. In an attempt to calm undercover applicant's nerves the college representative explains that if the undercover applicant doesn't pass there are other versions of the test. Although the explanation could have been better, allowing students to retake an admissions or placement test is not uncommon and is not an infraction. The college representative never states that the undercover applicant can continue taking the test "until she passes."
	11	The college representative did not tell the graduation rate when asked directly. The representative replied, "I think, pretty much, if you try and show up and, you know, you do the work, you're going to graduate. You're going to pass guaranteed." The college's Web site also did not provide the graduation rate	Not confirmed. Recording does not contain the alleged conversation. During the campus tour the rep talks about graduation but the undercover applicant does not ask about graduation rate.
	12	Undercover applicant was required to take a 12-minute admittance test but was given over 20 minutes because the test proctor was not monitoring the student.	Not confirmed. Information is missing or requires further verification. It is impossible to verify since the recording was turned off during the test.
College 3 Scenario 2	13	Undercover applicant was encouraged by a financial aid representative to change the FAFSA to falsely increase the number of dependents in the household in order to qualify for a Pell Grant	Audio recording supports GAO finding. The scenario of a prospective student getting a \$250,000 inheritance is not a situation many representatives have experience working with. The questions of the undercover applicant and his friend are suggestive and leading.
	14	The financial aid representative was aware of the undercover applicant's inheritance and, addressing the applicant's expressed interest in loans, confirmed that he could take out the maximum in student loans.	Not confirmed. It's up to the student to decide if they want loans or not. Undercover applicants brought up the loan discussion and said that the primary undercover applicant had completed a FAFSA and that he qualified for loans. The financial aid rep only confirmed what the undercover applicant said. The financial aid rep did not suggest that the undercover applicant take the maximum, but stated what the maximum was multiple times.
	15	The career representative told the undercover applicant that getting a job is a "piece of cake" and then told the applicant that she has graduates making \$120,000 - \$130,000 a year. This is likely the exception; according to the BLS 90 percent of architectural and civil drafters make less than \$70,000 per year. She also stated that in the current economic environment, the applicant could expect a job with a likely starting salary of \$13-\$14 per hour or \$15 if the applicant was lucky.	Not confirmed. The recorded conversation does not support this finding. Recording does not contain the alleged conversation. Undercover applicant does not meet with a "career representative" in the recorded conversation. There is no mention of a "piece of cake" or salaries of \$120,000 - \$130,000.
	Original finding for college: 6 Actual finding: 1 Information missing or needs verification: 1		Note: The recording cuts off before the undercover visit/shop is complete.

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 4 Scenario 1		The financial aid representative would not discuss the undercover applicant's eligibility for grants and loans and required the applicant to return on another day.	Not confirmed. Information is missing or requires further verification. Unable to verify. This recording is not available for review. However, it is not unusual for financial aid representatives to avoid talking about definitive grant and loan amounts without reviewing the applicant's tax return to verify the FAFSA has been completed correctly.
College 4 Scenario 2	16	While one school representative indicated to the undercover applicant that he could earn up to \$30 an hour as a massage therapist, another representative told the applicant that the school's massage instructors and directors can earn \$150-\$200 an hour. While this may be possible, according to the BLS, 90 percent of all massage therapists in California make less than \$34 per hour.	Not confirmed. The original GAO report said the undercover applicant could make up to \$100 an hour. The revised report adjusts this down to \$30 an hour and includes additional information about the salary discussion. Finally – After listening to the complete recording, as the interview progresses and at the time of enrollment, what is clear is that the admissions representative reviewed a data sheet with the undercover applicant and showed the minimum average per hour for massage therapy in this area is \$22 per hour. The representative stressed that earnings would be based on experience.
		Original findings for college: 2 Actual finding: 0 Information missing or needs verification: 1	Note: Financial aid representative is clear with the student that the FAFSA cannot be changed and that they must report the money they had in the bank when they completed the FAFSA – even when pressured, the financial aid rep says: "No"

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 5 Scenario 1	17	Admissions representative explains to the undercover applicant that although community college might be a less expensive place to get a degree, community colleges make students spend money on classes that they do not need for their career. However, this school also requires students to take at least 36 credit hours of non-business general education courses.	Not confirmed. Not accurately reported. The admissions representative goes on to explain other differences between their school and a community college – including class size and instructor qualifications. Rep also directs undercover applicant to the school website for course information.
	18	Admissions representative did not disclose the graduation rate after being directly asked. He told the undercover applicant that it is a “good” graduation rate. The college’s Web site also did not provide the graduation rate.	Audio recording supports GAO finding. Admissions representative admitted he didn’t know their graduation rate and went on to say there was something online – but he didn’t think it was accurate.
	19	Admissions representative encouraged the undercover applicant to enroll by asking her to envision graduation day. He stated, “Let me ask you this, if you could walk across the stage in a black cap and gown. And walk with the rest of the graduating class and take a degree from the president’s hand, how would that make you feel?”	Not confirmed. This comment was taken out of context. The admissions rep asked the undercover applicant to envision graduation in the context of discussing the undercover applicant’s hopes and dreams for the future. This was not discussed in the context of enrolling or to encourage enrollment.
College 5 Scenario 2	20	Admissions representative said the bachelor’s degree would take 3.5 to 4 years to complete. He gave the applicant the cost per 12 hour semester, the amount per credit, the total number of credits required for graduation, and the number of credits for the first year. When asked if the figure he gave multiplied by four would be the cost of the program, the representative said yes, although the actual tuition would have amounted to some \$12,000 more.	Not confirmed. The admissions rep is clear on cost per class and the number of classes required to complete the bachelor’s degree. Cost and length time to completion are discussed two different times. Again it appears that GAO does not understand the difference between an academic year versus a calendar year.
	21	Admissions representative required the undercover applicant to apply to the college before he could talk to someone in financial aid.	Not confirmed. The undercover applicant talks to financial aid without enrolling. College representative also points out that undercover applicant must register with the selective service if they are going to use loans.
	22	Admissions representative told the undercover applicant that almost all of the graduates get jobs.	Not confirmed. This is a true statement as reported – but this is only a fragment of the conversation. In the very next sentence the admissions representative explains that most students come to the college with a job already. The college encourages them to keep their job and look for advancements and promotions as a result of their education. Also, when listening to the complete conversation the admissions rep clearly states early on in the interview that there is no guarantee of placement and that no school can do that.

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 5 Scenario 2 <i>Continued</i>	23	Flyer provided to undercover applicant stated that the average income for business management professionals in 2004 was \$77,000-\$118,000. When asked more directly about likely starting salaries, the admissions representative said that it was between \$40,000 and \$50,000.	Not confirmed. Information is missing or requires further verification. Unable to determine if this is a legitimate finding or not. It is difficult to verify without flyer. Was this flyer from an outside source (e.g., Salary.com) or was it a promotional brochure that stated graduates from THIS college? Additional external review of Bureau of Labor Statistics (BLS) data identifies the area where this school was located as the highest earning state for individuals in the occupational area: "First-Line Supervisors/Managers of Office and Administrative Support Workers" with an annual mean wage of \$67,170. Given this information, the starting salaries quoted; along with the disclaimer that "salary would be based on position" appear to be accurate and not inflated.
		Original finding for college: 7 Actual finding: 1 Information missing or needs verification: 1	Note: Admissions/financial aid representatives did not take the bait on the inheritance and are clear that undercover applicant cannot receive loans. No mention of positive finding by GAO. Also no mention by GAO of college representatives advising undercover applicant that they must register with selective service in order to receive financial aid.

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 6 Scenario 1	24	Admissions representative told the undercover applicant that the college was accredited by "an agency affiliated with the government," but did not specifically name the accrediting body.	Audio recording supports GAO finding. While the admissions rep does state that the college is accredited by the DC Board of Cosmetology (confirmed via DC Board of Cosmetology website), rep also states that they are federally accredited. Rep does not state by which federal agency.
	25	Admissions representative suggested to the undercover applicant that all graduates get jobs. Specifically he told the applicant that if he had not found a job by the time he graduated from the school, the owner of the school would personally find the applicant a job himself.	Not confirmed. Information is missing or requires further verification. This is a questionable statement. Without further study it's impossible to know the accuracy of the rep's statement. It appears the owner of the school does own salons in the DC area -- and it's very believable that grads of the school would be offered jobs at the school owner's salon. Mystery shop best practices would suggest that any placement/employment information be linked to a source, printed material, etc. We cannot tell from the tape whether this information was connected to a source or other documentation.
College 6 Scenario 2	26	Admissions representative told our undercover applicant that barbers can earn \$150,000 to \$250,000 a year, though that would be extremely unusual. The BLS reports that 90 percent of barbers make less than \$43,000 a year. In Washington, D.C., 90 percent of barbers make less than \$17,000 per year. He said, "The money you can make, the potential is astronomical."	Audio recording supports GAO finding. GAO report claims undercover applicant was told they can make \$150,000 to \$250,000 a year. However the rep actually tells the undercover agent three different salary scenarios: One: "\$600 a day x 5 days a week—and that's on the low end." Explanation..... "Most people will pay 25 dollars for a haircut. Hair cut takes an hour"-- Two: "\$1000 a day. Most barbers work for themselves. The potential for money to make is astronomical." Three: "Otherwise you pay for a chair- you pay for the booth. It depends on the location—and you rent a chair. 100-200 a week, but you think you can make 200 a day" As written the GAO report is correct – but not complete. The rep did quote a daily earning rate that could total up to \$150,000 or more. However – the rep goes on to quote a much lower earning rate as well. If the report is going to be valid and useful – then all scenarios should be quoted.
	Original finding for college: 3 Actual finding: 2 Information missing or needs verification: 1		Note: the rep counseled the undercover applicant about registering for selective service and even pointed out that it appeared he had not registered – and that he could not get aid.... Also explained they would need to see their 2009 taxes (neither of these are mentioned in the report). Also, the undercover applicant never mentions the \$250,000 inheritance

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 7 Scenario 1		The recordings for school 7 are disorganized and actually contain a total of THREE shops to this school. It appears that in the recording 7-1, there is an additional scenario #1 shop. The recording starts with an undercover applicant completing their assessment test (undercover applicant is Terri; rep is Gloria, not censored). There is not a complete recording for undercover applicant "Terri". The recording at (1:21:37) jumps to a different shop (undercover applicant Christina) at the beginning of the interview. At (2:24:39) the recording starts undercover applicant "Terri's" next day financial aid appointment. The recording ends mid-interview. (2:43:02)	
	27	When asked by the undercover applicant for the graduation rate for two programs, the admissions representative did not answer directly. For example the representative stated that "I've seen it's an 80 to 90% graduation rate" for one of the programs but said for that information "I would have to talk to career services." She also said 16 or 17 students graduated from one of the programs, but couldn't say how many students had started the program. The college's Web site also did not provide the graduation rate.	Not confirmed. The statement as reported by the GAO is correct as reported however this is not a finding. Colleges are not currently required to provide programmatic graduation rates.
	28	Admissions representative told our prospective undercover applicant that student loans were not like car loans because student loans could be deferred in cases of economic hardship, saying "It's not like a car note where if you don't pay they're going to come after you. If you're in hardship and you're unable to find a job, you can defer it." The representative did not explain the circumstances under which students might qualify for deferment. Borrowers who do not qualify for deferment or forbearance and who cannot pay their loans face fees, may damage their credit or have difficulty taking out future loans. Moreover, in most cases, bankruptcy law prohibits a student borrower from discharging a student loan.	Audio recording supports GAO finding. This is a questionable statement and the GAO is correct in citing it as a finding. It should be noted however that this statement was made by an admissions representative to illustrate the deferment options available with student loans. This was presented in a preliminary admissions meeting in the context of exploring cost, affordability and financial aid options. The applicant would typically proceed to a financial aid packaging appointment as a next step in the enrollment process. The admissions representative would benefit from training to clarify information.
College 7 Scenario 2	29	Admissions representative suggested to the undercover applicant that he not report \$250,000 in savings reported on the FAFSA. The representative told the applicant to come back once the fraudulent financial information changes had been processed.	Audio recording supports GAO finding. This is a questionable statement but not fraudulent behavior. In this scenario, the representative did not commit fraud and was clear that the undercover applicant must make their own decision regarding changes to the financial aid form. However when the undercover applicant didn't understand the implications of changing the information on the form, the representative used poor judgment and missed an opportunity to counsel the student on the law. This behavior warrants a finding under questionable statements – not fraud.
	29a	This change would not have made the undercover applicant eligible for grants because his income would have been too high, but it would have made him eligible for loans subsidized by the government.	This is not a separate finding. It is a continuation of finding #29.
	Original finding for college: 3 Actual finding: 2		

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 8 Scenario 1		Recording begins with the undercover applicant on her tour, the director interview, meeting the criminal justice instructor, is turned off during the assessment test, and breaks at 1:15:50 then the recording goes to the beginning of the admissions interview. The recording breaks at 2:44:41 while the undercover applicant is in FA and jumps back to the admissions interview. The entire recording is a male admissions rep, but we cannot determine if it is the same rep; therefore could potentially be two interviews. We evaluated assuming it is one because it is the same undercover applicant, scenario and program. The tape is 3 hours and 13 minutes in length.	
	30	Admissions representative falsely stated that the college was accredited by the same agency that accredits Harvard and the University of Florida.	Audio recording supports GAO finding.
	31	A test proctor sat in the test taking room with the undercover applicant and coached her during the test.	Audio recording supports GAO finding.
	32	The undercover applicant was not allowed to speak to a financial aid representative until she enrolled in the college.	Not confirmed. A review of the tape does not support the statement. Under cover applicant is assured that she will not make a payment until she is completely comfortable. It is the undercover applicant who suggests she complete the application today and talk to a financial aid rep tomorrow
	33	Applicant had to sign agreement saying she would pay \$50 per month toward her education while enrolled in college.	Not confirmed. The undercover applicant completed the application willingly and when signing the enrollment agreement did not challenge the \$50 per month fee. It is not uncommon for schools to require and "in-school" payment. This reduces the amount of student loan debt for the student and requires the student to be committed to their education. It also serves as a deterrent for students who are looking for a "free" education that is funded 100% by loans and grants.
	34	On paying back loans, the representative said, "You gotta look at it...I owe \$85,000 to the University of Florida. Will I pay it back? Probably not...I look at life as tomorrow's never promised....Education is an investment, you're going to get paid back ten-fold, no matter what."	Audio recording supports GAO finding.
	35a	Admissions representative suggested undercover applicant switch from criminal justice to the medical assistant certificate.	Not confirmed. It was the undercover applicant's who initiated the suggestion to consider the medical fields. Undercover applicant says "So I am open, what do you think would be a good field for me? Medical Field?" Rep: "I think you would be awesome at medical assisting."
	35bwhere she could make up to \$68,000 per year. While this may be possible, BLS reports 90% of medical assistants make less than \$40,000 per year.	Audio recording supports GAO finding. However the complete conversation should be reported Rep: "They start out at like, I'm not supposed to discuss salary but they start out at like 38 or 40,000 a year, you could get specialized in different fields, with each specialization your gonna make more money so I know medical assistants making 68 -- 69,000 a year, it just depends."

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 8 Scenario 2	36	When the applicant asked about financial aid, the 2 representatives would not answer but debated with him about his commitment level for the next 30 minutes.	Audio recording supports GAO finding. The behavior of the representatives in this scenario is questionable. The director does discuss financial aid in general however.
	37	The representative said that student loans would absolutely cover all costs in this 2-year program. The representative did not specify that federal student loans by themselves would not cover the entire cost of the program. While there are private loan programs available, they are normally based on an applicant passing a credit check, and typically carry higher interest rates than federal student loans.	Not Confirmed. This statement was made in a preliminary meeting with the admissions representative and in the context of exploring cost, affordability and financial aid options. The applicant would have proceeded to a financial aid packaging appointment as a next step and a financial plan would be created as a next step in the enrollment process
	38	The representative said paying back loans should not be a concern because once he had his new job, repayment would not be an issue.	Not confirmed. After reviewing the recording, there is no evidence of a discussion about a "new job" or that "repayment would not be an issue."
	39	The representatives used hard-sell marketing techniques; they became argumentative, called applicant afraid and scolded applicant for not wanting to take out loans.	Audio recording supports GAO finding.
	Original findings for college: 10 Edits to clarify = 11 original findings Actual findings: 6		Note: After reviewing the recording for this shop, there is no evidence of the undercover applicant mentioning an inheritance and asking if it needs to be reported on the FAFSA. In all of the GAO reports they claim to have tested 15 schools with this scenario.

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 9 Scenario 2	40	Admissions representative initially provided misleading information to the undercover applicant about the transferability of the credit. First she told the applicant that the credits will transfer. Later, she correctly told the applicant that it depends on the college and what classes have been taken.	Not confirmed. The representative clarified the likelihood of credits transferring.
	Original finding for college: 1 Actual finding: 0		

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 10 Scenario 1	41	Admissions representative said the bachelor's degree would take 3.5-4 years to complete, but only provided an annual cost estimate for 1/5 of the program.	Not confirmed. The admissions rep clearly explains how students attend class and provided a per credit hour cost for the first academic year. It appears that GAO does not understand the difference between an academic year and a calendar year.
College 10 Scenario 2	42	Admissions representative did not provide the graduation rate when directly asked. Instead she indicated that not everyone graduates.	Not confirmed. Not an accurate representation of actual conversation. Under cover applicant does not ask for a graduation rate. Instead she asks: "Does everyone graduate that starts?" The admissions rep answers this question and says: "Nah (inaudible) I don't know what our completion rate is, but I do know that it is not 100%....."
		Original finding for college: 2 Actual finding: 0	

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm’s Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 11 Scenario 1	43	Admissions representative told the undercover applicant that she could take out the maximum amount of federal loans, even if she did not need all the money. She told the applicant she could put the extra money in a high-interest savings account. While subsidized loans do not accrue interest while a student is in college, unsubsidized loans do accrue interest. The representative did not disclose this distinction to the applicant when explaining that she could put the money in a savings account.	Not confirmed. Not an accurate description of the conversation. This explanation was given during a long conversation about cost, how tuition is paid, and how the decision about how much to borrow is up to the student. Just prior to this example about what the student “could” do, the admissions representative clearly states in regard to the loan amount: “You really could take out less than the actual amount (you need). But what I tell my students is I can’t tell you what to choose. I want you to choose what’s financially responsible.” Although the conversation regarding cost and borrowing money is long and sometimes confusing – what the GAO is reporting as a finding is in reality an example that is extracted from the complete interview and used out of context. Furthermore, this was not a financial aid packaging interview – it was an admissions interview where estimates and scenarios were shared to illustrate cost and how students pay.
College 11 Scenario 2	44	Admissions representative told the undercover applicant that the college is regionally accredited but does not state the name of the accrediting agency. The college’s Web site did provide specific information about the college’s accreditation, however.	Not confirmed. The term “regional accreditation” is a generic reference that is commonly used in higher education. It refers to six major accrediting agencies. The information regarding accreditation was available on the web site as noted in the GAO report. The undercover applicant also interrupted the rep before the rep could complete their response.
	45	Admissions representative said financial aid may be able to use what they call “professional judgment” to determine that the undercover applicant does not need to report over \$250,000 in savings on the FAFSA.	Not confirmed. This comment only captures a portion of the whole conversation which included much more detail: Undercover applicant “Is there any way to get around that? Rep: “Um, when it comes that time there is something called Professional Judgment, I am not an expert on this, there are people in FA that handle this, when you actually begin classes you can talk to your Finance Counselor about that, there are ways of actually getting around things, but if it truly is an issue they have something called Professional Judgment, ...(if your taxes/income was drastically different from one year to the next) they would do a Professional Judgment...” Undercover applicant: “So that might be my case if my normal income is lower” Rep: “That’s something you would want to take up with a finance counselor.” The admissions rep was very clear that the undercover applicant would need to discuss this with financial aid.

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 11 Scenario 2 <i>Continued</i>	46	Admissions representative did not disclose the graduation rate after being directly asked. He instead explained that all students that do the work graduate. This information was available on the college's Web site; however, it required significant effort to find the college's graduation rate, and the college did not provide separate graduation rates for its multiple campuses nationwide.	Not confirmed. Undercover applicant did not directly ask for the admissions rep to disclose the graduation rate. The undercover applicant asked, "Most people graduate?" Rep stated that most of the people who go through don't graduate, but the ones that are serious do. It is not required for a college to provide graduation rates by campus, but rather in aggregate.
		Original finding for college: 4 Actual finding: 0	

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 12 Scenario 1		Admissions representative told the undercover applicant that she has never seen a student decline to attend after speaking with financial aid. The admissions representative would not allow the applicant to speak with financial aid until she enrolls in the college.	Not confirmed – No recording available to review findings for accuracy.
		If the undercover applicant was able to get a friend to enroll in the college she could get an MP3 player and a rolling backpack. As noted in the testimony, although this is not illegal, it is a marketing tactic.	Not confirmed – No recording available to review findings for accuracy.
College 12 Scenario 2		Financial aid representative told the undercover applicant that he should have answered “zero” when asked about money he had in savings—the applicant had reported a \$250,000 inheritance.	Not confirmed – No recording available to review findings for accuracy.
		The financial aid representative told the undercover applicant that she would change his FAFSA form by reducing the reported assets to zero. She later confirmed by e-mail and voicemail that she had made the change.	Not confirmed – No recording available to review findings for accuracy.
		This change would not have made the undercover applicant eligible for grants, but it would have made him eligible for loans subsidized by the government.	Not confirmed – No recording available to review findings for accuracy.
	Original finding for college: 5 Information missing or needs verification: 5		

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 13 Scenario 1		Admissions representative said the program would cost between \$50,000 and \$75,000 instead of providing a specific number. It was not until the admissions representative later brought the student to financial aid that specific costs of attendance were provided.	Not confirmed – No recording available to review findings for accuracy.
College 13 Scenario 2		Admissions representative did not disclose the graduation rate after being directly asked. The college's Web site also did not provide the graduation rate.	Not confirmed – No recording available to review findings for accuracy.
		Admissions representative encouraged undercover applicant to change the FAFSA to falsely add dependents in order to qualify for grants.	Not confirmed – No recording available to review findings for accuracy.
		This undercover applicant indicated to the financial aid representative that he had \$250,000 in the bank, and was therefore capable of paying the program's \$68,000 cost. The fraud would have made the applicant eligible for \$2,000 in grants per year.	Not confirmed – No recording available to review findings for accuracy.
	Original finding for college: 4 Information missing or needs verification: 4		

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 14 Scenario 1	47	Admissions representative said the program takes 18 to 24 months to complete, but provided a cost estimate that suggests the program takes more than 2.5 years to complete.	Not confirmed. The financial aid rep clearly explains first year cost and explains in their preliminary meeting with the undercover applicant: "This estimate is based on the first 9 months of the school year. It's 36 credit hours. \$377.75 per credit hour. \$13,599. This includes supplies, scrubs, backpacks. \$1518 books." It appears that GAO does not understand an academic year versus a calendar year. Under the scenario outlined above, the student would complete 48 credits in a calendar year, and would finish in 2 years.
	48	The college's Web site did not provide the graduation rate.	Not confirmed. Colleges are not required to provide graduation rate via their website.
College 14 Scenario 2	49	Undercover applicant would be required to make a monthly payment to the college towards student loans while enrolled.	Not confirmed. It is not uncommon for schools to require and "in-school" payment. This reduces the amount of student loan debt for the student and requires the student to be committed to their education. It also serves as a deterrent for students who are looking for a "free" education that is funded 100% by loans and grants.
	50	Admissions representative guaranteed the undercover applicant that getting a degree would increase his salary.	Not confirmed. Admissions rep does not "guarantee" anything. Undercover applicant says: "I'm not really sure, how much these jobs pay. . . Like a business analyst? Stock broker?" Rep says: a lot of it has to do with past experiences and goes on to say that employers look at experience and education. Rep asks what undercover applicant's title is and undercover applicant states he is a "router" and explains his tasks. Rep states that the undercover applicant already has a lot of skills. (26:43) Undercover applicant says, "I know there are a lot of jobs out there, but do you have any idea how much people make with an associate's degree? I'm thinking it's gotta be better, I'm making about \$30,000 now?" Rep says, "Ya, let me see if I have that, I'll get that flyer for you when we're done. Basically, I'm going to be honest with you. . you're already at the salary that you are at now; adding education is going to increase your salary. That's gonna be a given." As previously sourced by the GAO, the BLS is a reputable source for salary and labor information. According to 2009 statistics, the BLS states that those with an associate degree will earn \$761 a week compared to those with just a high school diploma earning \$626 a week. It is reasonable to assume the undercover applicant will earn more with a degree. In addition, assuming the undercover applicant works full-time, the \$30,000 annual earnings they currently reported equates to only \$577 per week.
	Original finding for college: 4 Actual finding: 0		

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
College 15 Scenario 1	51	The undercover applicant was not allowed to speak to a financial aid representative until he enrolled in the college.	Audio recording supports GAO finding. Note in non-profit colleges, NACAC states members should "not make guarantees or any financial aid or scholarship awards prior to an application being submitted". When listening to the complete interview it should be noted that this school does not charge an enrollment fee. An applicant would not be required to pay any enrollment fee to take the assessment test and meet with financial aid.
College 15 Scenario 2		<p>Note: At the very beginning of interview 15-2 (within the 1st minute), the undercover applicant offers extensive information about himself without being prompted including that he completed the FAFSA. We believe the rep may have discovered the undercover applicant because she "tested" him by asking him his zip code for which he stumbled and asked, "Didn't I put it on the form?"</p> <p>Also – it should be noted that the recording begins with a financial aid appointment (the undercover applicant's second visit to campus) and at 37:35 the recording breaks to the beginning of the interview. The recording ends with undercover applicant on tour, we are unable to determine how much of the interview is missing.</p>	
	52	Admissions representative misrepresented the length of time it would take to complete the degree. He said the degree would take 2 years to complete but provided a cost worksheet that spanned 3 years.	Not confirmed. Information is missing or requires further verification. Without being able to see the cost worksheet it is difficult to verify the accuracy of this finding. It seems that it was not an admissions rep that offered the cost worksheet, but the financial aid representative. In addition, it would appear that the GAO does not understand academic years versus calendar years and how students can enroll as a full time student, take 12 credits per quarter, (48 credits per year) and complete a 96 credit-hour program in two calendar years, but attend almost three academic years.
	53	The undercover applicant was told he was not allowed to speak to a financial aid representative until he enrolled in the college. After refusing to sign an enrollment agreement the applicant was allowed to speak to someone in financial aid.	Not confirmed. This statement contradicts itself. The undercover applicant was in fact allowed to speak to someone in financial aid. Furthermore early in the interview the admissions rep states the undercover applicant "can absolutely meet with a financial aid rep today." Later in the interview the admissions rep is indeed reluctant to have the undercover applicant proceed without completing an enrollment agreement – but then goes ahead and permits undercover applicant to visit with financial aid. Also note NACAC Statement of Principles of Good Practice states that members are not to make any guarantees or financial aid prior to an application being submitted.
54	Admissions representative told undercover applicant that monthly loan repayment would be lower than it actually would.	Not confirmed. This is not an accurate account of the interview. The admissions rep asks the undercover applicant how much he could pay per month while he was in school. The undercover applicant volunteers that he could pay a couple hundred dollars per month. Conversation continues with admissions rep verifying that a couple hundred would be a reasonable amount. Undercover applicant's friend interrupts and asks if	

College & Scenario	Finding Number	GAO Reported Findings of Encouragement of Fraud, and Engagement in Deceptive or Otherwise Questionable Behavior	Professional Mystery Shopping Firm's Assessment After Reviewing the Recordings and Using College Mystery Shopping Best Practices
			<p>that amount is for "these loans" (as if he was pointing to something on a hand out). Admissions rep clarifies and says she can't really break that down because she doesn't work in financial aid.</p> <p>Our professional opinion is that the payment amount for a monthly in-school payment has been confused with student loan repayment amounts.</p>
		<p>Original finding for college: 4 Actual finding: 1 Information missing or needs verification: 1</p>	

Appendix II – Summary of Revised Findings by College

College	# GAO Original Findings	# Actual Findings	Information Missing or Needs Verification
1	7	1	0
2	2	0	0
3	6	1	1
4	2	0	1*
5	7	1	1
6	3	2	1
7	3	2	0
8	11	6	0
9	1	0	0
10	2	0	0
11	4	0	0
12	5	0	5*
13	4	0	4*
14	4	0	0
15	4	1	1
	65	14	14

*No recordings available to review in 10 findings cited by the GAO